



Vibrant Community Initiative 2019

Pre-Application Due: August 23, 2019

Full Application Due: January 2020



Purpose

The Vibrant Community Initiative (VCI) combines multiple funding sources to support local or regional transformational community-based projects that include affordable housing and community and/or economic development components.

Funding Level

Funding for VCI includes a portion of the annual Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME) allocations and Virginia Housing Trust Fund (VHTF) resources administered through the Virginia Department of Housing and Community Development (DHCD). VCI funding also includes resources made available through the Virginia Housing Development Authority (VHDA).

Approximately \$5.5 million in state and federal resources have been set aside to provide project funding for VCI, 2019. Funding resources include up to \$2 million in CDBG, up to \$2 million in HOME funds, \$1 million from the VHTF, and \$500,000 from Virginia Housing Development Authority (VHDA.) DHCD reserves the right to include other resources based on need and availability.

Geographic Targeting

DHCD is making VCI available statewide through a competitive application process. VCI funding amounts per project will vary based on the geographic location of the projects under consideration for VCI awards. *Projects located in CDBG entitlement localities will not be eligible for the CDBG portion of the VCI funding.* The CDBG portion of the funding is limited to project in [CDBG non-entitlement localities](#).

Total VCI award per project may be up to \$3 million depending on the project(s) selected and the location of these projects.

All projects must include housing and economic/community development components. Projects in CDBG entitlement localities will need other (non-VCI) resources for the economic/community development components.

DHCD intends VCI to fund new efforts.

Type of Assistance

VCI combines multiple funding sources. Project requirements and the type of assistance vary based on the funding sources leveraged through VCI. All HOME and VHTF assistance will be structured as loans, while DHCD can structure CDBG funding as a grant to the locality.

VCI: Types of Assistance		
<i>VCI Funding Source</i>	<i>Type</i>	<i>Typical Terms</i>
HOME	Loan	20 years deferred principle, interest-only
VHTF	Loan	20 years deferred principle, interest-only
VHDA	Loan	Varies based on underwriting
CDBG	Grant	20 year deed restriction

Leverage and Match Requirements

Proposals that leverage other federal, state, and local resources will be given priority scoring to the degree that these other funds are leveraged in the project. Leverage may include dedicated local resources that will be used for project planning, coordination, and implementation.

Each project requires a 25 percent match in locally controlled resources based on the total amount of VCI funding included in the project. The match must be for hard costs only and may include locally controlled CDBG or HOME funds, fee waivers, local government resources, donated real property, and/or other local funds (e.g. local foundation). DHCD may consider the value of a loan required for a component of the comprehensive project. The loan must require repayment. Documentation of the repayment requirement including loan terms must be submitted with the pre-application for DHCD consideration. Please note:

- Projects located in CDBG entitlement localities must have other non-VCI resources for funding community services and community/economic development activities. In these cases, VCI resources must be limited to the eligible housing cost associated with the project.
- VCI is intended to fund transformative projects that include both housing and community/economic development components.

Applicant Eligibility

A two-phase process will be used for the selection of projects. The first phase is the pre-application. Applicants submitting pre-applications best aligned to meet VCI goals and local needs will be identified through a panel review of all pre-applications received by the pre-application due date (by 11:59 PM August 23, 2019).

Proposed projects best aligned as a VCI transformative project will be categorized as planning assistance-eligible or as eligible for full application submission. The tentative due date will be in January 2020. The pre-applications selected for further planning assistance will receive planning technical assistance and/or financial assistance through

DHCD and/or VHDA. Those pre-applications deemed ready for the VCI full application submission will be given specific guidance on next steps for the full application.

Site visits may be conducted where appropriate with all VCI pre-applicants.

DHCD will accept pre-applications from units of local government, housing developers (nonprofit and for-profit), housing authorities, and other local and regional housing, community, and/or economic development organizations.

Applicants with outstanding audit findings, IRS findings, DHCD monitoring findings or other compliance issues will not be considered for VCI. Please note that although DHCD will work with all interested parties, where appropriate, to resolve findings and compliance issues, it will be the responsibility of the applicant to assure good standing.

Applicants and any key partners must be registered in DHCD's Centralized Application Management System (CAMS) and have submitted their current annual audit or as applicable their reviewed financial statement through CAMS in order to be considered for VCI.

VCI Phase	Applicable Entity
Pre-application	The lead organization should submit the pre-application. These can include units of local government, housing developers (nonprofit and for-profit), housing authorities, and other local and regional housing, community, and/or economic development organizations.
Full Application (CDBG non-entitlement location)	Unit of local government –this is a federal requirement. Units of local government must be included in the planning and pre-application process. DHCD will require that the locality submit the full application. DHCD will specify this requirement in the invitation to submit the full application.
Full Application (CDBG entitlement location)	This should be the lead organization. Units of local government, housing developers (nonprofit and for-profit), housing authorities, and other local and regional housing, community, and/or economic development organizations.
Housing component contract/agreement	Following the full application reviews, DHCD will make VCI award announcements followed by notification of funding amounts by project component. Contract negotiations and actual contracts are between DHCD/VHDA and the housing developer/owner.

Community/economic development contract/agreement	Following the full application reviews, DHCD will make VCI award announcement followed by notification of funding amounts by project component. Contract negotiations and actual contracts are between DHCD and the locality.
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Project Eligibility

DHCD seeks pre-applications for projects serving urban and rural areas within Virginia, but reserves the right to select projects that allow for maximum usage of the available resources.

Following the pre-application, DHCD will request full applications for transformative projects from selected applicants. Both pre-applications and full-applications must clearly describe the overall comprehensive project and all project activities. A transformative project is a project that includes **a range of activities** such as neighborhood revitalization, downtown redevelopment, homeowner rehabilitation, down payment assistance, rental project development, water/sewer, and/or other infrastructure. Examples of VCI transformative projects include the following:

CDBG Non-Entitlement Example: Reuse of School Property in Regional Economic Impact Zone		
<i>Project Activities/Components</i>	<i>VCI Funding</i>	<i>Other Leveraged Resources</i>
Reuse of School Building		
Senior Rental Units (in existing school building)	VCI (HOME, HTF)	Local HOME
Community Kitchen	VCI (CDBG)	Developer Equity; Appalachian Regional Commission (ARC)
Brewery	VCI (CDBG) <i>Locality offered funding as a loan to the developer</i>	CDBG
Market/Restaurant	VCI (CDBG)) <i>Locality offered funding as a loan to the developer</i>	CDBG
Small Business Incubator and Business Plan Competition	VCI (CDBG)	Building Entrepreneurial Economies (BEE)
Rehabilitation of Building Exterior and Interior Common Spaces	VCI (CDBG)	Developer
Public Facilities	VCI (CDBG)	VDOT
Surrounding Property/Land		
Multiple Family Rental Units	VCI (HOME)	Federal HOME Loan Bank; VCC; Tax Credits;
Homebuyer Units	VCI (HTF)	CDBG (infrastructure)

CDBG Entitlement Example: Gateway Revitalization Project		
<i>Project Activities/Components</i>	<i>VCI Funding</i>	<i>Other Leveraged Resources</i>
Mixed Income Multi-Family Rental	VCI (HOME and VHDA)	RAD; Local HOME; VHDA Reach
Moderate Income Homebuyer Units	VCI (HTF)	City donated land; Local HTF
Façade Improvements (gateway store fronts)	NA	Local CDBG
Reuse Former-Warehouse (art space; related small business development; affordable studio apartments)	VCI (HTF)	Industrial Revitalization Fund (IRF); State HOME (affordable rental)

Pre-applications will be reviewed by a panel and selected for the full application phase based on the following criteria:

- A plan and initial groundwork in place on a comprehensive project that includes at least a housing component;
- Demonstrated success with similar projects;
- Partnerships in place to execute the project; and
- Demonstrated capacity (financial and development team experience).

Pre-applications selected for the full application phase must submit the full application in CAMS by the deadlines (TBD –tentatively January 2020) to be evaluated based on the following scoring criteria:

- Alignment
- Need
- Project Readiness
- Capacity

Alignment

The alignment criterion is intended to select projects that are closely aligned with CDBG, HOME, state, and federal outcomes and objectives. Projects that are strongly aligned must address state [Consolidated Plan](#) priorities. In addition, applicants should

clearly articulate how the proposed project will address policy objectives outlined in [Executive Order Number Twenty-Five: Establishing The Governor's Affordable Housing Priorities to Address Virginia's Unmet Housing Needs](#) as well as in any applicable local and/or regional plan.

Proposed project costs must be appropriate, reasonable, and aligned to meet these priorities.

Need

Applications for funding will be evaluated based on the degree to which the comprehensive project and project activities are designed to meet identified local need(s). Please note local needs must be demonstrated by a local market analysis or needs assessment. Priority will be given to projects based on the needs it seeks to address and to the degree to which the project is positioned to address the proposed needs and also address CDBG, HOME, state, federal, and Consolidated Plan outcomes and objectives:

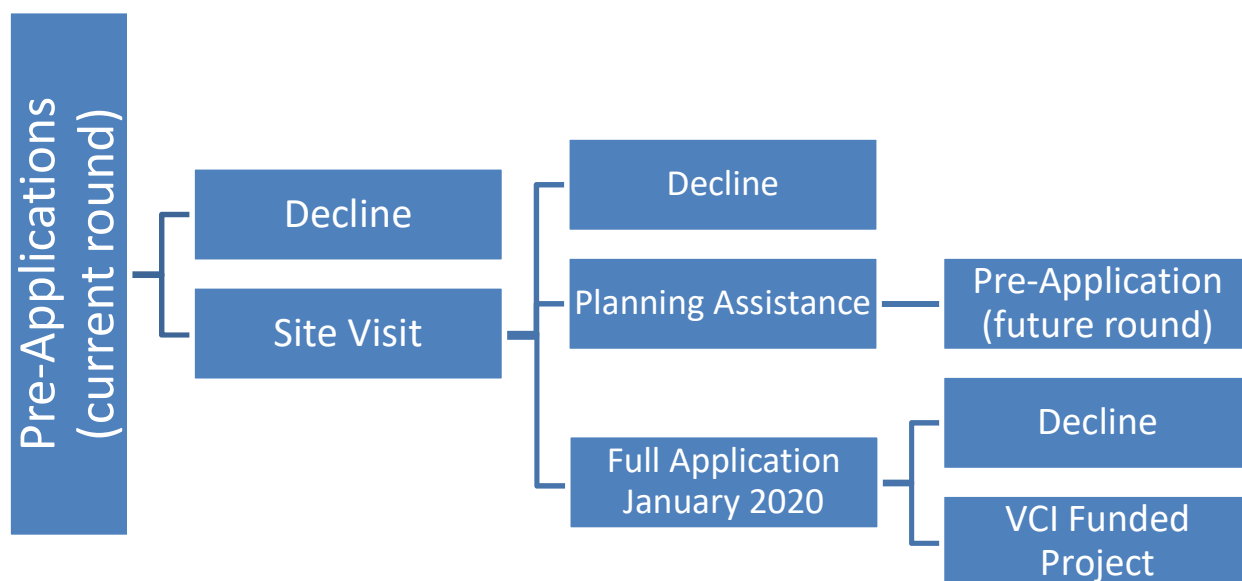
- Preservation of existing affordable rental units
- Preservation of existing affordable homebuyer units
- Creation of new affordable rental units
- Creation of new affordable homebuyer units
- Creation of integrated community housing units targeting special needs population
- Employment/infrastructure/community services that primarily benefit low to moderate income households
- Blight removal as a part of a larger revitalization project

Project Readiness

Applications will be reviewed for project readiness. This includes an assessment of the project status, timeline, and a review of project challenges and potential barriers. An assessment of costs and the status of other funding commitments will be included in the evaluation of overall project readiness.

Project readiness will also be measured in terms of the level of stakeholder involvement in the needs assessment, planning and design. Applicants should clearly describe what stakeholders were involved in the process and how these participants contributed to the overall project design.

Please note that project readiness is a key factor in determining which projects will advance in the VCI selection process. Subsequent rounds of VCI are anticipated and projects in initial development and planning phases may be offered planning technical and/or financial assistance through the VCI pre-application process. Planning assistance would be in lieu of an invitation to submit a full application in January 2020. Planning assistance would be provided to promising projects in preparation for a future round of VCI.



Capacity

Applicant, partner, and development team capacity will be a scoring factor in pre-application reviews. DHCD's intention is to select projects where there is existing development, project management, and financial capacity to assure project progress and successful completion. Please note pre-applications must describe existing resources for project planning, coordination, and implementation, which should include identifying any dedicated resources and identified project management resource gaps.

Use of Funds

VCI is intended to be as flexible as possible to support transformative local projects. DHCD will work collaboratively with VHDA and selected project teams to align VCI funding sources and any associated restrictions, regulations, and limitations to best meet the needs of each funded project. The following table provides some of the

restrictions that impact projects by funding source. Please note this is not intended to be a comprehensive list of program requirements. Note that any non-housing activities proposed to be supported with VCI resources should be discussed with DHCD prior to pre-application submission. The desire is to provide a flexible pool of resources however, there are constraints to the range of uses.

VCI Funding Source	General Requirements, Restrictions, and Limitations
HOME	Contract with developer/owner; flexible soft loan; underwriting; restricted to the affordable units; lien restriction with assisted unit long-term compliance; rent and income restrictions; Environmental Review; Uniform Relocation Act; Section 3 and Labor Standards; 15 – 20 year compliance period; as well as other cross-cutting federal requirements
VHTF	Contract with the developer/owner; flexible soft loan; underwriting; lien restriction with assisted unit long-term compliance; rent and income restrictions; 20 year compliance period
CDBG	Grant; Requires Local Government Sub-recipient; Environmental review; Section 3 and Labor Standards; Uniform Relocation Act; housing infrastructure only; commercial building rehab only; only in CDBG non-entitlement localities
VHDA	Funds to be dedicated to delivery of affordable housing units, including the creation of mixed-use, mixed-income developments. Requests for VHDA funding must be underwritten to determine the appropriate loan terms.

Activities

Eligible projects must include a housing component as a key or significant part of the overall project. These projects must be structured to meet identified local needs and address state and federal goals and objectives (see *Alignment* and *Need* on the previous page). Eligible VCI activities include but are not limited to the following:

Affordable Housing

Projects must include affordable housing activities. Preference will also be given to project seeking to provide transit and/or job-oriented housing and/or housing with units targeted to individuals with disabilities (physical and sensory disabilities, serious mental illness, intellectual and developmental disabilities, and chronic homelessness) including units targeted to substance abuse recovery (permanent housing). Applications must be able to describe how the project will de-concentrate poverty and provide access to opportunities for low-income residents. Special consideration will be given to any project

which includes universal design and/or green building components. Eligible affordable housing activities include:

- Homebuyer Direct Assistance, down payment and closing cost assistance (targeting 80 percent or below AMI)
- Homebuyer Rehabilitation (targeting 80 percent or below AMI)
- Homebuyer New Construction (targeting 80 percent or below AMI)
- Homeowner Rehabilitation (targeting 80 percent or below AMI)
- Rental Rehabilitation (targeting 60 percent or below AMI)
- Rental New Construction (targeting 60 percent or below AMI)

Please note, that rental projects assisted with HOME funds through VCI will have to include some units targeted to 50 percent or below.

Economic Development

Applicants are strongly encouraged to address a range of priority community needs, including conditions affecting the economic environment. Project activities which create jobs and business opportunities and/or create better economic conditions through the elimination of slum and blight will receive additional consideration. Please note proposed projects must also include a housing component.

Eligible economic development activities include:

- Job Creation/Retention
- Site Redevelopment
- Business Readiness
- Business District Revitalization

Community Facilities/Services

Eligible projects may also include activities that provide critical facilities and/or services targeted to low/moderate income persons. Please note proposed economic development projects must also include a housing component. Eligible community facilities/services activities include:

- Water/Sewer
- Health Clinics for a new or expanding service
- Workforce Development Centers associated with employment
- Daycare Centers (associated with employment)

Tentative Timeline

Timeline (Tentative)	
Release of guidelines and pre-application	June 2019
Pre-application due date	August 23, 2019
Site Visits	October/November 2019
Full applications due	January 2020
Contract Negotiations	March/April 2020
Project Under Contract (goal)	May 2020

Application Process

Pre-applications will be accepted on or before August 23, 2019. All pre-applications must be submitted to DHCD through the online application and project management system called [CAMS](#) (Centralized Application and Management System). Please allow for up to two business days for responses to any CAMS help desk request. Applications must be submitted in CAMS on or before 11:59 PM, August 23, 2019.

All pre-applications received by the deadline will be reviewed against established criteria to identify those projects best positioned to meet priority needs within Virginia. Applicants may request a debriefing on any unsuccessful pre-application.

Please note that DHCD technical assistance is limited to normal business hours.

For questions or more details please contact:

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